

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MAIL PROCESSING NETWORK RATIONALIZATION
SERVICE CHANGES, 2011

Docket No. N2012-1

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN
TO NATIONAL POSTAL POLICY COUNCIL INTERROGATORIES
NPPC/USPS-T12-1-10**

The United States Postal Service hereby provides the responses of witness Whiteman to the above-listed interrogatories of the National Postal Policy Council, dated January 10, 2012. Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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January 24, 2012

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
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NPPC/USPS-T12-1. Please define the following terms as used in your testimony at page 13 and thereafter:

- a. National Account
- b. Premier Account

RESPONSE:

On page 17 of my testimony (USPS-T-12) I provide a definition of the segments for customers in the “commercial” market. By “commercial” I mean mailers for whom we have a record of their mailing activity, *i.e.*, information from a mailing statement or meter file. As stated on page 17, this segment is defined as follows:

an account segment represents a grouping of similar customers. For example, the National and Premier Account segments represent the larger commercial mailers. Also, the Preferred Account segment represents small businesses which use one or more products for which we have a mailing record of their use.

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NPPC/USPS-T12-2. Do you believe that the persons at the National and Premier Accounts who were interviewed by the market research team have the authority to decide whether particular communications should be sent by mail as opposed to electronic alternatives? If so, what steps were taken to ensure that the executives contacted by the market research were individuals with such authority?

RESPONSE:

When scheduling interviews with the persons at National and Premier Accounts, the market research team specifically sought to identify the individual or individuals at the account with the authority to decide how the application(s) for which they were responsible are sent. If the person to whom the market research team was first directed indicated otherwise, the market research team then asked for a referral to the higher-level decision-maker.

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NPPC/USPS-T12-3. Please refer to Section B of your testimony, beginning at page 17. Did the Postal Service provide the market research company with the names and contact information of the persons at the National and Premier Account customers with whom the 17 IDIs were conducted? If so, what was the Postal Service's source of those names? If not, how were those persons selected?

RESPONSE:

The Postal Service provided ORC International with sample files containing a complete listing of National and Premier Accounts as of 2009. These files contained contact information such as a telephone number, address, *etc.*, and in some instances a contact name. In many cases, that contact is an administrative person or someone in accounting responsible for payments on the account rather than a decision-maker. Therefore, ORC International did not call the account and ask for that specific contact. Instead, and as stated in my response to NPPC/USPS-T12-2, when scheduling interviews with the persons at the National and Premier accounts, ORC International specifically asked for the individual or individuals at the account responsible for making decisions as to how the application(s) for which they were responsible are sent. If the person to whom the market research team was first directed indicated she did not have this responsibility, the market research team then asked for a referral to the higher-level decision-maker.

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NPPC/USPS-T12-4. Were the mailers who participated in the 17 in-depth interviews of National and Premier Account customers informed that the Postal Service would be increasing rates in January 2012? If not, does the Postal Service understand that those mailers were aware of that rate increase?

RESPONSE:

We did not inform these customers as part of the market research protocol about the potential for any future price changes. At the time of the in-depth interviews no plans regarding price changes had been announced so any such discussion would have speculative.

Also, it is not possible to know pursuant to our research protocol what these customers understood or assumed about the potential for any future price changes or their experience with such changes in the past.

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NPPC/USPS-T12-5. Some Presort First-Class mailers operate under legal requirements that require minimum notices before taking certain actions, such as cancelling insurance policies. Did the Postal Service conduct in-depth interviews with any such mailers? If so, how many?

RESPONSE:

We did not recruit nor screen customers using this criterion. Below is the profile of the 17 interviews indicating which industries and which “mailing” applications were covered. As you can see, four interviews were with individuals from financial service organizations. It is possible that within these four organizations that the specific situation cited above was part of their mailing requirements.

Interview Types Industry	# of Interviews	Application Type(s)
Manufacturers / Wholesalers	1	Payment such as dividend check
Retail	3	1 payment 1 direct marketing 1 billing
Printing / Publishing (mix of periodicals and newspapers)	3	At least 1 periodical and 1 newspaper
Financial Services	4	2 direct marketing 1 billing 1 payment
Utilities	3	2 billing 1 payment
Telecommunications	3	1 direct marketing 2 billing
Services – Not-for-Profit	1	Direct marketing
Government	1	Payment
Mail Service Providers	1	Billing

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NPPC/USPS-T12-6. Some Presort First-Class mailers operate under legal requirements that require minimum notices before taking certain actions, such as cancelling insurance policies. Did the Postal Service conduct quantitative research regarding such mailers? If so, how many mailers provide responses to such quantitative research?

RESPONSE:

We did not recruit nor screen customers using this criterion. Below is the sample for the National, Premier, and Preferred Commercial segments. Overall, among the 26 interviews among National Accounts, four were with Financial Service organizations, representing 15.4 percent of all interviews. It is possible within these four organizations that the specific situation cited above was part of their mailing requirements.

	National		Premier		Preferred		Total		
Agriculture, Forestry, Mining, Fishing	n		1		6		5		12
%	3.85%		1.44%		1.21%		1.40%		
Construction	N		0		4		13		17
%	0.00%		1.0%		3.1%		1.99%		
Manufacturing	N		4		53		23		80
%	15.38%		12.7%		5.6%		9.35%		
Transportation	N		0		2		3		5
%	0.00%		0.5%		0.7%		0.58%		
Telecommunications	n		1		8		4		13
%	3.85%		1.9%		1.0%		1.52%		
Utilities	n		0		6		5		11
%	0.00%		1.4%		1.2%		1.29%		
Wholesale Trade	n		1		10		6		17
%	3.85%		2.4%		1.4%		1.99%		
Retail Trade or Mail Order	n		5		37		36		78
%	19.23%		8.9%		8.7%		9.11%		
Finance, Insurance, or Real Estate	n		4		59		33		96
%	15.38%		14.2%		8.0%		11.21%		

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Newspaper Publishing	n	1	19	18	38
%		3.85%	4.6%	4.3%	4.44%
Periodical or Book Publishing	n	3	25	5	33
%		11.54%	6.0%	1.2%	3.86%
Services	n	4	82	65	151
%		15.38%	19.7%	15.7%	17.64%
Not-for-Profit or Membership Organization	n	2	78	187	267
%		7.69%	18.8%	45.2%	31.19%
Government or Public Administration	n	0	27	11	38
%		0.00%	6.5%	2.7%	4.44%
Total	n	26	416	414	856
%		100.0%	100.0%	100.0%	100.0%

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NPPC/USPS-T12-7. When considering the effects of the proposed service standards on the volume of Presort First-Class mail [*sic*], did the Postal Service consider the possible costs that mailers may incur in redesigning their operating software and retraining employees to meet the changed delivery windows? If so, what did the Postal Service assume? If not, please explain why not.

RESPONSE:

Any costs that would be incurred by mailers “in redesigning their operating software and retraining employees to meet the changed delivery windows” would be potential elements that mailers would consider in deciding how to adapt to the changes in the service standards for First-Class Mail and Periodical Mail. Thus, from a research perspective, this would be reflected in the responses provided to us by respondents.

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NPPC/USPS-T12-8. When considering the effects of the proposed service standards on the volume of Presort First-Class mail, did the Postal Service make any assumptions regarding whether or not Presort mailers would need to invest in new or additional mail preparation equipment? If so, what did the Postal Service assume? If not, please explain why not.

RESPONSE:

Any investment “in new or additional mail preparation equipment” would be potential elements that mailers might consider in deciding how to adapt to the changes in the service standards for First-Class Mail and Periodicals mail. Thus, from a research perspective, this would be reflected in the responses provided to us by respondents.

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NPPC/USPS-T12-9. In general, do you agree that if the cost of using mail increases relative to alternative means of communicating, a company will have a financial incentive to try to shift more messages to alternative means of communicating?

RESPONSE:

I would agree that the price of and cost to use a service or product is a factor considered when deciding whether to buy that specific service or product.

However, a price increase or increase in the cost to use a service or product will not necessarily lead to a changed purchase decision. Thus, a price increase or an increase in the cost to use a service or price may or may not constitute “a financial incentive to try to shift more messages to alternative means of communicating.”

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NPPC/USPS-T-12-10. Please refer to Chart 1 on page 22 of your testimony. That Chart indicates that the Postal Service estimates that Presort First-Class mail [sic] volume would decline 1.4 percent from FY2010 data due to the changes in the service standards.

a. Does this mean that, had the proposed service standard changes been in effect throughout FY2010, that the Postal Service estimates that Presort volumes would have been 1.4 percent less than they actually were?

b. The Postal Service's Annual Compliance Report for FY 2011 (filed Dec. 29, 2011) indicates at page 17 that Presort volume declined 3.7 percent in FY 2011 compared to FY 2010. Is it a reasonable interpretation of your testimony that, had the proposed service changes been in effect throughout FY2011 (but not in effect at all in FY2010), Presort volume would have declined an additional 1.4 percent?

c. Is the 1.4 percent estimated reduction in Presort volume a one-time reduction, or do you expect a further incremental decline of 1.4 percent annually due to the changes in service standards?

RESPONSE:

a. Yes.

b. Yes.

c. The market research was designed to estimate any reduction during the first full year after implementation of the service changes.